

COUNTY AND MUNICIPAL AID (State Shared Revenues)

The county and municipal aid program, formerly called state shared revenues, provides unrestricted aid to municipalities and counties.

Background

State revenue sharing began in 1911 when the state income tax was enacted. Under that law, 70% of the tax proceeds were paid to a taxpayer's municipality of residence and 20% were paid to a taxpayer's county of residence. This sharing of state tax proceeds provided a precedent for the sharing of other state taxes on a return-to-origins basis as they were enacted over time. Over time, dissatisfaction with the return-to-origins basis grew because more state money was being directed to localities with high per capita incomes and property values.

In 1972, the return-to-origins system was replaced with a system that distributed most of the aid funds based on some measure of need. This system, in effect from 1972 to 2001, had three general goals: (1) providing property tax relief, (2) equalizing revenue raising ability, and (3) compensating for services provided to certain utility properties exempt from property taxation.

Under the system currently in effect, the goals of property tax relief and compensation for utility property have been retained. However, the policy of equalizing revenue raising ability has been suspended except to the extent current payments still reflect equalization efforts through 2001. Since current payments are based in large part on payments made in 2001, a discussion of the formulas used in that year follows.

Payments in 2001

In 2001, the shared revenue program consisted of five separate payments:

1. *Per Capita.* Each municipality received about \$26.71 per resident, based on pre-Census-2000 population estimates from the Wisconsin Department of Administration [DOA], as of January 1, 2001. Counties did not qualify for this payment, but instead received a per capita payment under the county mandate relief payment (Item #5, below).
2. *Utility.* This payment had four sub-components: (a) A payment at a rate of 9 mills on the net book value (original cost less depreciation) of qualifying property (production plants, substations, and general structures) of electric and gas utilities. For property in a town, the town was paid 3 mills and the county was paid 6 mills. For property in a village or city, the municipality was paid 6 mills and the county was paid 3 mills. For payment purposes, the total net book value could not exceed \$125 million per utility company or for a jointly owned power plant. (b) A payment of \$50,000 each to a municipality or county where spent nuclear fuel was stored or, if the fuel was stored within 1 mile of another municipality, the municipality with the storage facility was paid \$40,000 and the nearby municipality was paid \$10,000. (c) A minimum payment of \$75,000 for a municipality or county with a generating plant with a rated capacity of 200 megawatts or

more. (d) Total payments under the 9 mills on net book value payment could not exceed \$300 per capita for municipalities and \$100 per capita for counties. The spent nuclear fuel and minimum payments were not affected by the per capita limit. (A more complete discussion of the utility payment can be found in a separate paper.)

3. *Aidable Revenues.* This payment was intended to equalize the property tax rate needed to finance a given level of per capita spending. For municipalities, the payment was calculated as follows:

$$\text{Municipal Aidable Revenues Payment} = \text{3-Year Average of Local Purpose Revenues} \times \text{Tax Base Weight}$$

For counties, the payment was calculated as follows:

$$\text{County Aidable Revenues Payment} = \text{3-Year Average of Local Purpose Revenues} \times 85\% \times \text{Tax Base Weight}$$

Local purpose revenues (LPR) included the entity's own-purpose property tax levy, certain user fees, and the aidable revenues payment. For 2001 payments, LPR data for 1997, 1998, and 1999 were used.

The tax base weight measured the extent to which an entity's per capita value fell below some standardized value. It equaled the greater of zero or the amount calculated as follows:

$$\text{Tax Base Weight} = 1 - \frac{\text{Local equalized value per person}}{\text{Standardized value per person}}$$

Municipal calculations were based on the total equalized value of taxable property plus the value of tax-exempt computer property and minus the value of manufacturing real property. County calculations were based on the total equalized value of taxable property plus the value of tax-exempt computer property and minus any value increments (if positive) in tax incremental districts. Municipal and county calculations were made separately. For 2001 payments, equalized values and populations (using DOA pre-Census-2000 estimates) for 2000 were used. The standardized value per person was set at the level which distributed all available funds. For 2001 payments, the standardized values per person were \$53,256 for municipalities and \$52,634 for counties.

4. *Minimum-maximum adjustment.* The total payment (excluding utility payments) could not be less than 95% of the prior year's payment (excluding utility payments). Minimum payments were funded by limiting growth in payments (excluding utility payments) to a "maximum allowable percentage increase" set at a level where total payment reductions exactly equaled total minimum payments. The adjustment for municipalities and counties were calculated separately. Counties with no incorporated municipalities (Florence and Menominee) were exempted from the "maximum allowable increase".
5. *County mandate relief.* Each county received a payment of about \$3.88 per resident, based on DOA pre-Census-2000 population estimates for January 1, 2000. The total payment was \$20,763,800.

Payments in 2002 and 2003

For municipalities, the shared revenue formulas were suspended in both 2002 and 2003. The payment for each municipality in 2002 was 101% of the total payments for 2001. The payment in 2003 was 101% of the payment made in 2002.

For counties, the shared revenue formulas remained in effect. For aidable revenues aid payments, the standardized value per capita was \$56,047 for 2002 payments and \$58,367 for 2003 payments. The county mandate relief payments totaled \$20,971,400 in 2002 and \$21,181,100 in 2003 (about \$3.88 per capita for both years). In addition, beginning in 2002, any county organized in 1846 or 1847 whose 1990 population was between 16,000 and 17,000 (Lafayette) was exempted from the "maximum allowable increase" portion of the minimum-maximum adjustment.

Payments in 2004

Payments in 2004 were calculated as follows:

1. *Utility payment:* Payments under the four-part utility payment formula were reinstated for municipalities and continued for counties.
2. *Base payment - counties:* This payment was based on the total payment in 2003 excluding the utility payment. From this amount, \$20 million was subtracted on a per capita basis (about \$3.64 using DOA population estimates for 2003).
3. *Base payment - municipalities:* This payment was based on the total payment in 2003 plus the small municipalities shared revenue program payment (see Appendix A) and excluding what the 2003 utility payment would have been had the 3-part utility payment formula been used. From this amount, two subtractions were made: (a) \$20 million applied on a per capita basis (about \$3.64 using DOA population estimates for 2003), and (b) \$50 million applied on a per capita basis (about \$12.78 using DOA population estimates for 2003), but limited to no more than 15.68513% of the payment remaining after the initial \$20 million reduction.
4. *2003 Act 164 adjustment - municipalities:* This adjustment assisted those municipalities where new power plants were built in 2002 and 2003, the years when the municipal utility payment formula was suspended. Under the adjustment, the initial "base payment" (as discussed above) included no reduction for the 2003 utility payment if (a) the utility payment in 2001 was less than 25% of the total shared revenue payment, and (b) the utility payment in 2004 was more than 75% of the county and municipal aid payment before this adjustment. Two municipalities benefited: the Town of Quincy in Adams County (\$20,660) and the Village of Combined Locks in Outagamie County (\$262,183). The adjustment was funded by reducing payments to all other municipalities by about 0.0403%.

Payments in 2005 to 2009

Payments from 2005 to 2009 were made as follows:

1. *Utility payment:* Payments were made according to the previously described four part formula, but three new components were added. (This payment is described in a separate paper on the shared revenue utility payment.)
2. *Base payment:* This payment was equal to the amount paid in 2004 after all adjustments.

Payments in 2010

Payments for 2010 were calculated as follows:

1. *Utility payment:* Payments will be made under the current seven component formula. (This payment is described in a separate paper on the shared revenue utility payment.)
2. *Base payment - counties:* This payment was set at the total payment in 2009 (excluding the utility payment) minus \$5,483,704 (about 3.488%). Payments reductions were allocated so that no county's payment reduction exceeded 15% of its 2009 payment. The reductions were allocated as follows: (a) On the basis of each county's proportionate share of the statewide total equalized value (tif in) for 2009, resulting in a reduction of \$3,733,916. (b) The remaining \$1,727,788 was allocated to those counties not at the 15% limit based on county populations for 2009 (a reduction of about \$0.3044 per capita).
3. *Base payment - municipalities:* This payment was set at the total payment in 2009 (excluding the utility payment) minus \$24,420,905 (about 3.478%). Payments reductions were allocated so that no municipality's payment reduction exceeded 15% of its 2009 payment. The reductions were allocated as follows: (a) On the basis of each municipality's proportionate share of the statewide total equalized value (tif in) for 2009, resulting in a reduction of \$13,871,581. (b) The remaining \$10,613,324 was allocated to those municipalities not at the 15% limit based on municipal populations for 2009 (a reduction of about \$1.8701 per capita).

Payments in 2011

The utility payment will be recalculated every year. Otherwise, the payments in 2011 were equal to the amount paid in 2010.

Payments in 2012

Payments in 2012 were calculated as follows:

1. *Utility payment:* Payments will be made under the current seven component formula. (This payment is described in a separate paper on the shared revenue utility payment.)
2. *Base payment - counties:* This payment was set at the total payment in 2011 (excluding the utility payment) minus \$29,086,600 (about 19.17%). The reduction for an individual county was equal to the lesser of (a) an amount equal to about \$8.77 times the county's population, (b) 25% of the prior year's base payment, or (c) 0.15 mills on the county's equalized value.

3. *Base payment - municipalities:* This payment was set at the total payment in 2011 (excluding the utility payment) minus \$47,663,400 (about 7.03%). The reduction for an individual municipality was calculated as discussed below:

For municipalities with a population of less than 2,500:

Initial reduction = $\$12.05 \times \text{Population} \times (\text{Population}/2,500)$.

Maximum reduction = lesser of 15% (for cities) or 25% (for towns and villages) of the prior year base payment or 0.10 mills on the municipality's equalized value.

For municipalities with a population of 2,500 to 9,999:

Initial reduction = $\$12.05 \times \text{Population} \times ((\text{Population} - 2,500)/7,500)$ plus 0.10 mills on the municipality's equalized value.

Maximum reduction = lesser of 15% (for cities) or 25% (for towns and villages) of the prior year base payment or 0.15 mills on the municipality's equalized value.

For municipalities with a population of 10,000 to 49,999:

Initial reduction = $\$12.05 \times \text{Population} \times ((\text{Population} - 10,000) / 40,000)$ plus 0.15 mills on the municipality's equalized value.

Maximum reduction = lesser of 15% (for cities) or 25% (for towns and villages) of the prior year base payment or 0.25 mills on the municipality's equalized value.

For municipalities with a population of 50,000 to 109,999:

Initial reduction = $\$12.05 \times \text{Population} \times ((\text{Population} - 50,000) / 60,000)$ plus 0.25 mills on the municipality's equalized value.

Maximum reduction = lesser of 15% (no villages or towns are in this population class) of the prior year base payment or 0.30 mills on the municipality's equalized value.

For municipalities with a population of 110,000 or more:

Initial reduction = $\$12.05 \times \text{Population}$ plus 0.30 mills on the municipality's equalized value.

Maximum reduction = lesser of 25% of the prior year base payment or 0.35 mills on the municipality's equalized value.

Payments in 2013 and thereafter

The utility payment will be recalculated every year. Otherwise, the payments in 2013 and every year thereafter are, under current law, to be equal to the amount paid in 2012.

Payment Schedule

Using 2011 payments as an example: (a) On September 15, 2010, municipalities and counties were sent notices of their estimated (called the "original estimate") payments for calendar 2011. (b) On the fourth Monday in July 2011, 15% of "original estimate" will be paid. (c) On the third Monday in November 2011, the payment will be "re-estimated" to reflect any data updates used to calculate the payment. The difference between this "re-estimated" amount and the amount paid in July 2011 will be paid. (d) On the third Monday in November 2012, the payment is "re-cast" (finalized) to reflect any corrections that may be needed to the "re-estimated" payment. Any changes will be reflected in the payments made at this time. No further changes are made.

Payment Totals: 2010, 2011, and 2012

Total payments for 2010, 2011, and 2012 are as follows:

Item:	2010	2011	2012
Municipalities			
Utility	30,041,269	32,250,062	33,609,986
Base	678,089,571	678,089,571	630,426,171
Total	708,130,841	710,339,633	664,036,157
Counties:			
Utility	29,281,515	30,928,139	31,953,819
Base	151,736,144	151,736,144	122,649,544
Total	11,017,659	182,664,283	154,603,363
Total	889,148,500	893,003,916	818,639,520

APPENDIX A SMALL MUNICIPALITIES SHARED REVENUE

The small municipalities shared revenue (SMSR) payment provided unrestricted aid to localities with low population and low equalized value. The payment was in effect from 1994 to 2003.

A municipality received a SMSR payment in a given year if all of the following conditions were met: (a) Its prior year population was 5,000 or less. (b) Its prior year municipal-purpose property tax rate was 1 mill or more. (In 2003, a municipality with an equalized value of less than \$10 million qualified if its 2001/02 municipal-purpose tax rate was more than 0.85 mills.) (c) Its equalized value (excluding manufacturing realty but including exempt computers) in the prior year was less than \$40 million. However, this limit did not apply if a municipality had a land area of more than 54 square miles. For payment calculation purposes, if such a municipality had an equalized value of more than \$40 million, the value was set at \$40 million,

The SMSR payment was determined in four steps:

1. *Base Entitlement:* The base entitlement was the greater of \$10 per capita or the following amount:

$$\text{Base Entitlement} = \left(\$55 - \frac{(\text{Equalized value})}{(\$40,000,000)} \times \$55 \right) \times \text{Population}$$

2. *Minimum entitlement:* The minimum entitlement was the greater of \$0 or the following amount:

$$\text{Minimum Entitlement} = \$18,000 - \frac{(\text{Equalized value})}{(\$1,000,000)} \times \$720$$

3. *Maximum entitlement:* The maximum entitlement was the greater of \$10,000 or the following amount:

$$\text{Maximum Entitlement} = \$45,000 - \frac{(\text{Equalized value})}{(\$1,000,000)} \times \$1,750$$

4. *Actual entitlements:* The above three entitlements were compared. The base entitlement was used except as follows: (a) if the base was less than the minimum entitlement, the minimum entitlement was used, or (b) if the base was greater than the maximum entitlement, the maximum entitlement was used.

Total payments in 2003 were \$11,221,100. When determining actual payments, entitlements were prorated to fully allocate the available funds. For payments in 2003, entitlements were prorated at 145.64%.